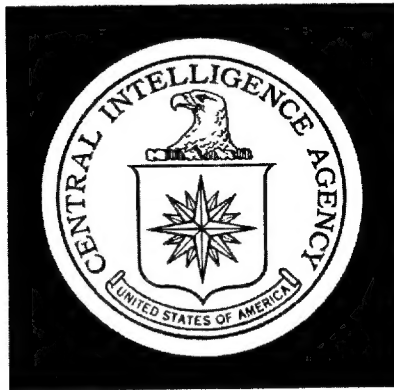


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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

Weekly Report

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1. ADEN

The deteriorating security situation in Aden may lead to an early withdrawal of British forces from South Arabia, leaving a vacuum which could be exploited by Arab nationalists directed by Egypt.

Last week's violence broke out on 20 June when Arab troops mutinied following the suspension of four Arab officers from the South Arabian Army. The dispute was sparked by personal and tribal rivalries, but the explosion that followed reflected the present high state of anti-British feeling and increased tension resulting from the Arab defeat by Israel. When British troops were sent to quell the rebellion, police in the populous Crater district of Aden joined local nationalists and terrorists in taking over the district, and a general strike was called throughout Aden. The rebellious army units gave up the same day, but Crater is still in nationalist hands. The army is reportedly divided 50-50 for and against the federal government, and mutiny could recur any time.

This violence occurred only 24 hours after Britain announced that South Arabia would be granted formal independence on 9 January 1968 with increased British military assistance and protection. The Front for the Liberation of Occupied South Yemen (FLOSY), the principal Egyptian-backed terrorist organization, is opposed to any British protection of the new government, which it would like to dominate. FLOSY quickly cabled U Thant denouncing the "sham" independence and demanding a UN investigation of the British "war of extermination."

The new outbreak has cast doubt on the ability of the federal government to hold together and of the South Arabian Army to maintain internal security. If the British become convinced that they have lost control of the situation, there will be strong pressure within the government to pull out even before the scheduled independence date.

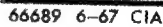
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2. INDIA

A rapidly deteriorating security situation in West Bengal has brought the leftist coalition government of this heavily populated and strategically located state to the brink of collapse (map).

In the four months since the West Bengal United Front (UF) coalition government--in which the radical left Communists (CPI/L) are the largest element--came to power, the state has experienced a sharp and continuing increase in lawlessness. Clashes between police--hamstrung by government restrictions--and Communist-encouraged mobs have resulted in a precipitate decline in police morale and efficiency. In at least one small but strategically important tribal area in the north, a rebel CPI/L extremist faction reportedly has assumed complete control.

The continuing food crisis has tended further to complicate maintenance of public order. The situation in the populous area around Calcutta is explosive, with marauding mobs looting food-laden trains and trucks.

The UF coalition itself is tottering as its more moderate partners have become increasingly disaffected. The coalition's collapse last week appears to have been avoided only when the Communists agreed to the establishment of a "police presence" in the disturbed northern area and to the arrest of "antisocial" elements under India's preventive detention act. Should the CPI/L try to prevent implementation of these agreements, some of the more moderate coalition parties will probably withdraw. The CPI/L itself, sharply split over tactics, may withdraw from the coalition to avoid further strains on party solidarity.

Local Congress Party bosses claim to have enough votes to topple the UF coalition but, cognizant of the party's continuing lack of popularity, they hope the government will be defeated from within. In any event, a period of direct rule from New Delhi seems almost inevitable.

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3. PERU

Peru is about to purchase 16 supersonic Mirage-5 fighter aircraft from France, and is also expected to acquire French tanks and personnel carriers.

Peruvian rationale for acquiring supersonic aircraft is that the present air force inventory is obsolete and must be replaced, in spite of present shortages of foreign exchange reserves. Prestige, however, is the most important factor, both for attracting young men to the air force and for maintaining Peru's reputation for having one of the most advanced military establishments in Latin America.

The Peruvians have decided on the Mirage rather than on the US F-5 because Paris has promised to complete delivery within 21 months, whereas present US policy excludes the sale of supersonic aircraft before fiscal 1970. Price is not a determining factor. The Mirages are being offered at approximately \$1.25 million each with payments to be spread over five years at 8 percent interest; the price tag on an F-5 is about \$1 million.

Some Peruvian military leaders reportedly expect French military influence in Peru to replace that of the United States in the near future as a result of the acquisition of French military hardware. Growing Peruvian dissatisfaction with Washington's military sales policy and aid programs is an additional factor.

If Peru buys the Mirages, it will be the first country in Latin America outside Cuba to have supersonic fighter aircraft. Undoubtedly the more advanced countries, such as Chile, Argentina, and Brazil, would feel compelled to follow Peru's lead. If unable to buy from the US, they, too, would probably turn to European suppliers, who are eager to accommodate.

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4. THAILAND

The Communists are still making headway in their effort to establish a viable insurgent organization in Thailand.

An increase in insurgent activities in north, west-central, and mid-south areas in recent months indicates that the government's counterinsurgency effort has had only limited success. In the northeast, the insurgents have been moving into areas adjacent to their long-standing strongholds. Although much of this movement stems from stepped-up government security programs and probably has resulted in serious dislocation of insurgent assets, it also indicates that the insurgents are making successful adjustments to government pressures.

The insurgents apparently have also made important tactical changes to meet the government's increased presence in the northeast. A decline in the number and intensity of insurgent-initiated attacks and ambushes this year suggests that the Communists now consider that their campaign to counter security efforts with force was premature. The insurgents have also been devoting increasing attention to propaganda activities, but there is still little indication that they have been able to generate significant support.

Although the Communists have suffered setbacks, the government's counterinsurgency effort has not yet demonstrated that it can do more than slow the growth and development of the insurgent apparatus. It still does not appear to be receiving the forceful leadership from Bangkok that is needed to make it work. The statements and performance of the top Thai leaders suggest that they still have not come to grips with the nature and potential seriousness of the Communist threat. [REDACTED]

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